ASX Release

29 January 2010

ASX Code: SRZ

ABN 96 108 758 961
Level 7 Exchange Tower
530 Little Collins Street
Melbourne Victoria 3000
Australia

Telephone +61 3 9909 7618
Facsimile +61 3 9909 7621

www.stellarresources.com.au
srzinfo@stellarresources.com.au

Quarterly Report
For the period ended 31 December 2009

Highlights

Iron Ore Project (SA)

- Demonstrating viable infrastructure support remains a key focus. During the quarter, a study evaluating power alternatives for Tarcoola was completed.
- Ground gravity anomaly identified to the east of Hicks Hill over sub-cropping magnetite mineralisation. Initial drill testing will focus on the eastern end of the anomaly.

Heemskirk Tin (TAS)

- Review of the historic drilling data at Queen Hill is on-going with the aim of identifying shallow follow-up drill targets.

Exploration

- Uranium exploration within Stellar's tenements in the Pirie Basin, South Australia, was advanced by airborne EM coverage to identify possible trap sites for shallow sandstone hosted uranium.
- Tenement position enhanced with applications over the Gairdner IOCGU magnetic anomaly in SA and Voiseys Bay style nickel targets in Tasmania.

Corporate

- Stellar held a cash balance of $2.5 million on 31 December 2009.

Targets for March Quarter 2010

- Tarcoola (Iron Ore) SA: External review of the Coolybring exploration target completed and re-activation of resource drilling.
- Heemskirk JV (Tin) TAS: Complete review of historic data and identification of drilling targets at the Queen Hill deposit.
- UraniumSA (Uranium) advised that it intends to commence drill testing on the Midgee JV (EL 4242).
- Pirie Basin SA (Uranium): Complete review and interpretation of EM survey data over EL 3978.

PROJECTS

Tarcoola Iron Ore Project (Stellar 100%)

Coolybring
The Coolybring magnetite deposit represents the company's key iron ore asset. It is located in central South Australia within 10 kilometres of the Trans-Australian railway which connects the project to the proposed bulk commodity terminal at Port Bonython.

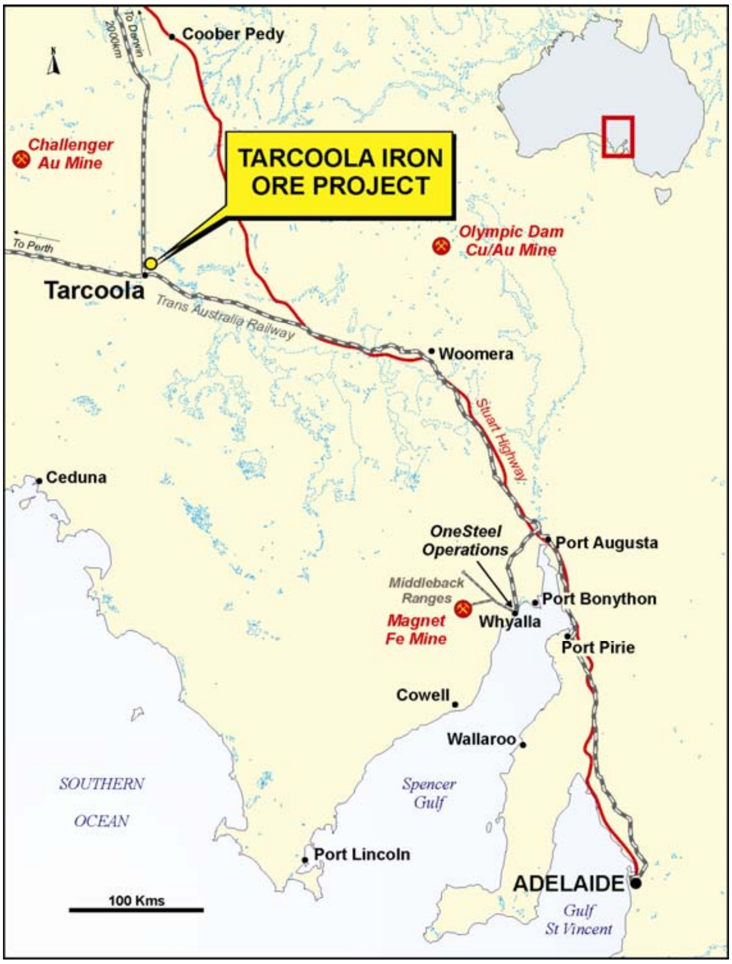

Figure 1 – Tarcoola Iron Ore Project locality map

Further assessment by independent industry experts of the mining, processing and infrastructure requirements of the project was undertaken during the quarter. Previously, Stellar reported the following outcomes:

- Mine modelling by MiningOne showed that an open pit operation could be achieved with an overall waste to ore ratio of 1.44 to 1.00 (including overburden removal) and a mining development comparable to the near-by Prominent Hill mine.
- Aquaterra's assessment of groundwater sources in the Tarcoola area for processing magnetite mineralisation concluded that "it should be feasible to develop a saline groundwater supply of up to 17 megalitres per day for Coolybring" which would support ore processing of 13Mtpa.
- Promet Engineers reporting on metallurgical performance concluded "that it will be possible to make a standard blast furnace grade concentrate from the Stellar ores. A flotation concentrate of less than 4.5% SiO_2 was produced in the laboratory".

One of the key processing inputs for the Tarcoola Iron Ore Project and all magnetite projects is power for crushing and grinding. During the quarter, a review of power options was undertaken by Power Network Strategies. The study concluded that extending the state power grid to Tarcoola should provide a lower capital cost outcome than local power generation using gas supplied by a lateral pipeline from the Moomba to Adelaide system. However, it was noted that the delivered cost of power to Tarcoola should be comparable under either alternative. The study estimate for delivered power cost is likely to be similar to that for other large scale users of grid power in central South Australia, when adjusted for differences in transmission distance and load factor.

Hicks Hill

A ground gravity survey was completed over the Hicks Hill area during the quarter. The survey results are shown in Figure 2 along with the total magnetic intensity image. The larger purple contour to the west shows the outline of magnetite outcrop at Hicks Hill while the smaller area immediately to the east shows magnetite sub-crop.

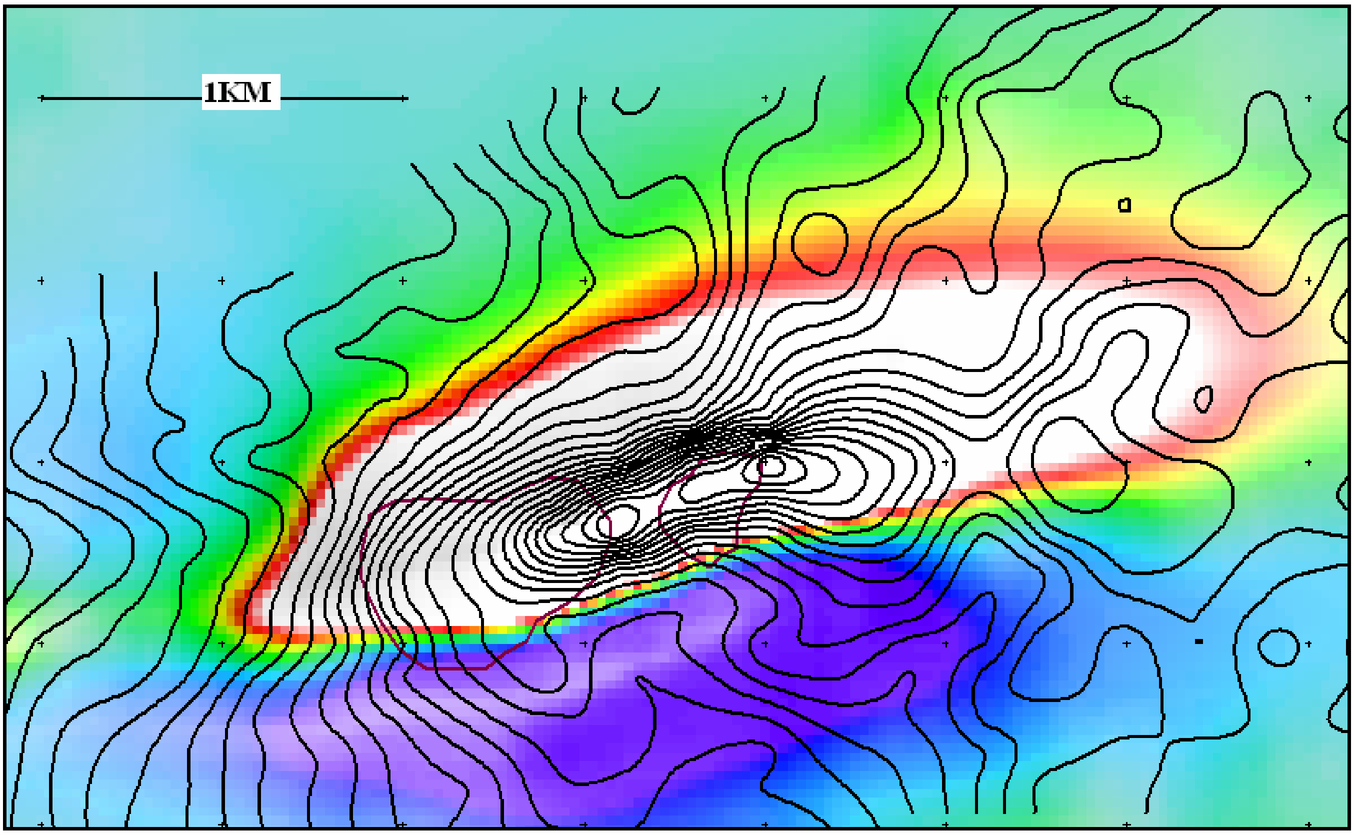

Figure 2 – Bouger gravity contours overlying total magnetic intensity image - Hicks Hill (purple contour)

Strong coincidence between the gravity high and the magnetic image suggests the presence of a significant body of magnetite banded iron striking east-west and dipping steeply to the south. The gravity image broadens to the east possibly indicating structural thickening around the magnetite deposit.

An Aboriginal heritage clearance survey was conducted over the Hicks Hill area during the quarter. The survey proposed restricted exploration access over the western end of the magnetic anomaly within the vicinity of the outcrop area. Stellar is scheduled to discuss the survey results with the representative Native Title Claimant Group.

Stellar is planning a drill traverse across the eastern end of the anomaly and to the east of the sub-crop area to determine grade and thickness of the magnetite mineralisation.

Outlook
An independent assessment of the exploration target for Coolybring is underway and scheduled for completion in the March quarter.

Resource drilling is expected to resume at Coolybring once the parameters for converting the exploration target into an inferred resource are known.

Initial Hicks Hill drilling would occur in conjunction with the drilling program at Coolybring.

Heemskirk Tin Project (Stellar 60%)
The Heemskirk Tin Project (held in joint venture with Gippsland Limited), at Zeehan Tasmania, collectively comprises Australia's largest known undeveloped high grade tin deposit; comprising the Queen Hill, Severn, and Montana deposits.

Review of historic drill data during the quarter focussed on Queen Hill, the shallowest of the three deposits.

The review is expected to continue in the March quarter with the objective of selecting near-surface drill targets at Queen Hill to improve the drill density of prior work.

EXPLORATION

Uranium

Pirie Basin South (SA) (EL3978 Stellar 100%; EL4242 Stellar 100% with UraniumSA earning 73%)
The Pirie Basin is a trough of Tertiary aged sediments that parallel the current coast line between Whyalla and Cowell in South Australia (shown as yellow unit in Figure 3). The prospectivity of the basin for sedimentary uranium became more broadly recognised in 2009, following discovery of the Blackbush and subsequently the Plumbush deposits by UraniumSA Limited.

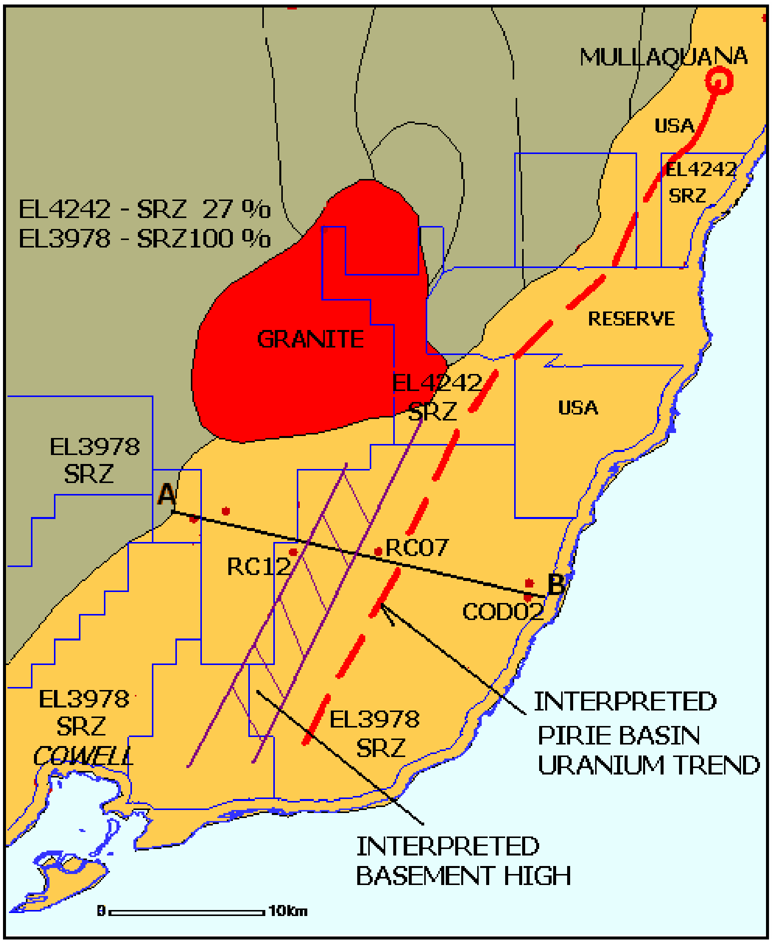

Figure 3 – Pirie Basin tenements and interpreted uranium trend

The Plumbush prospect is inferred by UraniumSA to extend southwards into the Stellar/UraniumSA JV ground (EL 4242). UraniumSA has advised that drilling will resume at Plumbush in the March quarter and will extend south to test the continuity of mineralisation into EL 4242.

The exploration model established by UraniumSA in the northern Pirie Basin provides a good precedent for the entire basin. In particular, the use of aerial electromagnetic imaging has proved useful in establishing basin architecture and structures within the Tertiary sediments that may provide traps for uranium mineralisation.

Stellar conducted such a survey on kilometre line spacings over its wholly owned EL 3978 in late January 2010. The survey results, covering 290 line kilometres over a 600 square kilometre area, are currently undergoing interpretation.

Warrior SA (Stellar 100%)
Warrior is the most significant known palaeochannel uranium mineralisation in the Gawler Craton of South Australia. It is located 100 kilometres to the west of the township of Tarcoola.

Work reviewing gamma logs and re-interpreting grade/thickness estimates is continuing. Further work is also required on the untested southern extension of the Warrior palaeochannel.

Copper/Gold

Gairdner (SA) Exploration Licence Application
During the quarter, Stellar negotiated the acquisition of EL 3655 which lies to the south and east of the Hicks Hill project from UraniumSA. As part of the technical review of EL 3655, Stellar recognised potential for an IOCGU style magnetic alteration zone to the south of EL3655. An Exploration License Application was lodged in the "Gairdner" area, covering the extent of the magnetic anomaly between Lake Harris to the west and Lake Gairdner to the south.

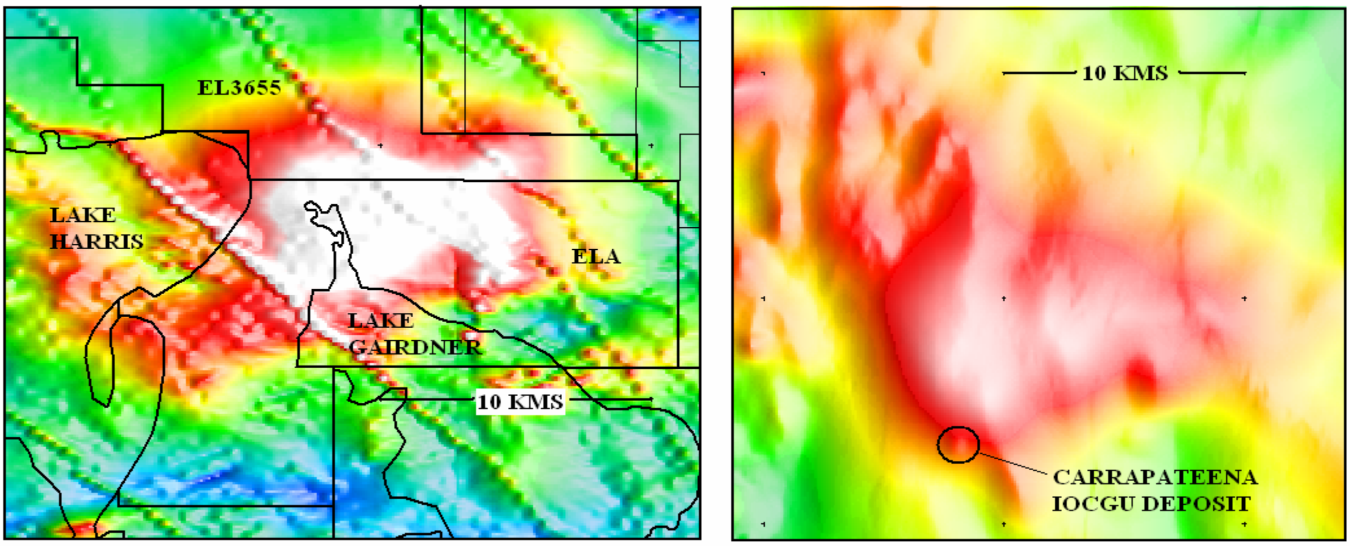

Figure 4 – Comparison of Gairdner and Carrapateena magnetic images

In Figure 4, the regional aeromagnetic expression within the area is compared with similar scale aeromagnetics over the Carrapateena area. Carrapateena lies approximately 180 kilometres to the east of the Gairdner ELA. Following a comprehensive review of existing geological and drilling information for the area, detailed gravity survey coverage of the magnetic zone will be considered to target potentially copper-bearing high density hematite breccia.

Gourlays (TAS) (Stellar 100%)
An assessment and ranking of exploration targets held by the company in Tasmania during the quarter has elevated the Gourlays prospect in Heemskirk EL 46/2003 to a high priority category. The assessment process involved ranking geophysical anomalies based on risk adjusted potential in-ground values. Further ground checking is required at Gourlays ahead of developing a work plan for drilling.

Lead/Zinc

Goldfinger (NSW) (Stellar 60%)
Renewal of the Goldfinger exploration licence is in progress. No work will be conducted until after the renewal process has been completed.

Nickel/Copper

Several Tasmanian exploration properties were reviewed and assessed as targets for Voiseys Bay style nickel/copper mineralisation during the quarter. The geological setting and implied structure within regional and local magnetic anomalies played a role in the assessment.

Some of the highest ranking anomalies are located on the Huskisson EL 26/2009, Rayne EL 49/2004 and Ramsay EL 1/2004 tenements. The location of Voiseys Bay style mineralisation at the neighbouring Melba Flats property has also contributed to the prospectivity of the Rayne tenement.

Stellar is currently considering these properties for joint venture.

CORPORATE

Financial Position
As at 31 December 2009, the company held cash and term deposits of $2.5 million. During the quarter, Stellar raised $1.03 million through the sale of UraniumSA shares and options and $225,000 (net of GST) on settlement of the previously reported Dundas (EL21/2004) divestment in Tasmania. The company retains 4.5 million UraniumSA shares presently valued at $1.0 million.

MARKETS

Iron Ore
The spot price for 62% iron ore delivered to China firmed during the quarter from US$83/t in October to US$123/t in January or US$108/t net of freight costs, according to Macquarie Research. The stronger spot price reflects rising steel making utilisation rates around the world and some re-stocking of iron ore.
Shipments of iron ore from Australian exporters are also rising strongly in-line with improving demand.
The spot price is now trading at an 80% premium to the contract price suggesting that a strong rise is contract prices is likely later in the year.

Uranium

Uranium spot prices appear to have stabilised around US$43.50/lb in January after peaking at US$50/lb at the beginning of the December quarter on news of disrupted production at the Olympic Dam mine. According to market commentary, some price improvement is expected by the June quarter as utilities look to re-stock.

Tin

LME tin prices firmed in January to US$17,700/t after remaining remarkably stable at US$15,000/t for the six months to December 2009. The price rise appears to reflect strong tin import numbers for China in December.

The drill and exploration results reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr. C.G. Anderson (Fellow of the Australasian Institute of Mining and Metallurgy) who is a Director of the Company. Mr. Anderson has sufficient experience relevant to the style of mineralisation and type of deposits being considered to qualify as a Competent Person as defined by the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2004 Edition). Mr. Anderson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. It should be noted that the abovementioned exploration results are preliminary.

For further details please contact:

Peter Blight
CEO
Tel: 03 9909 7618
Email: peter.blight@stellarresources.com.au

Chris Anderson
Director
Tel: 08 8363 1589
Email: chris.anderson@stellarresources.com.au

or visit our Website at: http://www.stellarresources.com.au

Rule 5.3

Appendix 5B
Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

STELLAR RESOURCES LIMITED

ABN	Quarter ended ("current quarter")
96 108 758 961	**31 December 2009**

Consolidated statement of cash flows

	Cash flows related to operating activities		Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from product sales and related debtors		–	–
1.2	Payments for	(a) exploration and evaluation	(144)	(418)
		(b) development	–	–
		(c) production	–	–
		(d) administration	(142)	(300)
1.3	Dividends received		–	–
1.4	Interest and other items of a similar nature received		19	30
1.5	Interest and other costs of finance paid		–	–
1.6	GST (paid)/recovered		(55)	(37)
1.7	Other –		–	–
	Net Operating Cash Flows		(322)	(725)
	Cash flows related to investing activities			
1.8	Payment for purchases of:	(a) prospects	–	–
		(b) investments	–	–
		(c) other fixed assets	–	–
1.9	Proceeds from sale/deposit of:	(a) prospects	222	350
		(b) investments	1,029	1,029
		(c)other fixed assets	–	30
1.10	Loans to other entities		–	–
1.11	Loans repaid by other entities		–	–
1.12	Other: –		(2)	(2)
	Net investing cash flows		1,249	1,407
1.13	Total operating and investing cash flows (carried forward)		927	682

1.13	Total operating and investing cash flows (brought forward)	927	682
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	–	–
1.15	Proceeds from capital raising (Share Purchase Plan)	–	–
1.16	Proceeds from borrowings	–	–
1.17	Repayment of borrowings	–	–
1.18	Dividends paid	–	–
1.19	Other – cost of issue	–	–
	Net financing cash flows	–	–
	Net increase (decrease) in cash held	927	682
1.20	Cash at beginning of quarter/year to date	1,582	1,827
1.21	Exchange rate adjustments to item 1.20	–	–
1.22	Cash at end of quarter	2,509	2,509

Payments to directors of the entity and associates of the directors Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	62
1.24	Aggregate amount of loans to the parties included in item 1.10	–

1.25 Explanation necessary for an understanding of the transactions

Directors fees and remuneration $49k, rent/office support paid to Euro Exploration Services $4k, rent/office support paid to Mineral Deposits Limited $9k

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

–

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

–

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	–	–
3.2	Credit standby arrangements	–	–

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	220
4.2	Development	–
	Total	220

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	34	112
5.2	Deposits at call	2,475	1,470
5.3	Bank overdraft	–	–
5.4	Other	–	–
	Total: cash at end of quarter (item 1.22)	2,509	1,582

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed		See attachment A		
6.2	Interests in mining tenements acquired or increased		See attachment A		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	94,821,858	94,821,858		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options			Exercise Price	Expiry Date
	Directors	–	–	–	–
	Exec & Employees	1,075,000	Nil	30 cents	SRZAO 30/11/2010
	Exec & Employees	500,000	Nil	25 cents	SRZAA 31/01/2011
7.8	Issued during quarter	–	–	–	–
7.9	Exercised during quarter	–	–	–	–
7.10	Expired/cancelled during quarter	–	–	–	–
7.11	Debentures *(totals only)*				
7.12	Unsecured notes *(totals only)*				

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 29 January 2010
(Company Secretary)

Print name: M J S Drummond

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 6: Accounting for Extractive Industries* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

Attachment A

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	EL 21/2004	Exploration Licence Dundas, TAS, sold	100%	Nil
		EL 3436	Exploration Licence Lake Woorong lapsed	100%	Nil
6.2	Interests in mining tenements acquired or increased	EL 3655	Exploration Licence Kingoonya, SA, transfer pending	Nil	Nil
		ELA 2009/00330	Exploration Licence Application Lake Gairdner, SA, application pending	Nil	Nil
		ELA 2009/00339	Exploration Licence Application Lake Woorong, SA, application pending	Nil	Nil
		ERA	Exploration Licence Application Huskisson, TAS, application pending	Nil	Nil